

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE)	
IMPACT OF THE TAX CUT AND JOB ACT)	CASE NO
ON THE RATES OF WATER SERVICE)	2018-00043
CORPORATION OF KENTUCKY)	
ELECTRONIC APPLICATION OF WATER)	
SERVICE CORPORATION OF KENTUCKY)	CASE NO
FOR A GENERAL ADJUSTMENT IN)	2018-00208
EXISTING RATES)	

ORDER

This proceeding arises from a Commission-initiated investigation of the effect of the Tax Cuts and Jobs Act (TCJA) on the rates of Water Service Corporation of Kentucky (Water Service Kentucky) and four other investor-owned utilities. The Attorney General of the Commonwealth of Kentucky by and through the Office of Rate Intervention (Attorney General) requested and was granted intervention. The Commission issued a procedural schedule that provided for two rounds of discovery and directed the parties to either request a hearing or state that the case can be submitted for a decision on the record.

On January 26, 2018, Water Service Kentucky filed¹ the Direct Testimony of Steven Lubertozzi (Lubertozzi Testimony), in response to the Commission’s December

¹ Water Service Kentucky filed the testimony in Case No. 2017-00481, *Electronic Investigation of the Impact of the Tax Cuts and Job Act on the Rates of Atmos Energy Corporation, Delta Natural Gas Company, Inc., Columbia Gas of Kentucky, Inc., Kentucky-American Water Company, and Water Service Corporation of Kentucky* (filed Jan. 26, 2018). Case No. 2017-00481 was subsequently separated into this and other utility-specific investigations. The record from Case No. 2017-00481 was incorporated into this proceeding by the Commission’s January 30, 2018 initiating Order.

27, 2017 Order in Case No. 2017-00481 which directed Water Service Kentucky to file prepared testimony on the impact of the reduction of its tax expense due to the lowering of the corporate federal income tax (FIT) rate from 35 percent to 21 percent under the TCJA. In his testimony, Mr. Lubertozi estimated the financial impact to be a rate reduction of \$4,281 but noted that there should not be a rate reduction for Water Service Kentucky's customers due to the following reasons: (1) it is too early to fully determine the full impact of the TCJA on Water Service Kentucky; (2) Water Service Kentucky is not achieving the revenue requirement authorized based on its most recent rate case, Case No. 2015-00382²; and (3) the estimated revenue impact, as calculated by Water Service Kentucky, is *de minimus*.³ It was noted in the Lubertozi Testimony that Water Service Kentucky was expecting to file a general rate case in calendar year 2018 and all issues related to the TCJA could be addressed in that rate case.⁴ On July 5, 2018, Water Service Kentucky submitted its application for a general rate increase, which the Commission docketed as Case No. 2018-00208.⁵

Water Service Kentucky argues that Case No. 2018-00208 will allow for a comprehensive review of all components of rates and will be the best mechanism to incorporate the new FIT rate.⁶ The Attorney General states that Case No. 2018-00043

² Case No. 2015-00382, *Application of Water Service Corporation of Kentucky for a General Adjustment in existing Rates* (Ky. PSC May 31, 2016).

³ Lubertozi Testimony at 9.

⁴ *Id.*

⁵ Case No. 2018-00208, *Electronic Application of Water Service Corporation of Kentucky for a General Adjustment in Existing Rates*.

⁶ Statement of Water Service Kentucky Regarding Potential Hearing filed May 7, 2018.

can be concluded without a hearing by incorporating the issue of the TCJA tax savings commencing January 1, 2018, into the pending general rate case. Incorporating that issue into the rate case will, according to the Attorney General, guarantee that the parties do not litigate the same issues twice and ensure that significant time and money is not employed where the actual amount of savings realized by Water Service Kentucky may be *de minimis*.⁷

The Commission finds that the investigation of the TCJA issues in Case No. 2018-00043 and the rate issues in Case No. 2018-00208 present similar questions of fact and law related to the TCJA, and consolidation of the two cases will not prejudice the rights of any party or the public interest. Consolidating these two cases will allow a more thorough review of all of the impacts that the TCJA will have on Water Service Kentucky's FIT expense and revenue requirement. To achieve administrative efficiencies and reduce the expenditure of resources, the Commission will consolidate Case No. 2018-00043 into Case No. 2018-00208. The Commission further finds that the record of Case No. 2018-00043 should be incorporated by reference into Case No. 2018-00208, and all future filings should be made in Case No. 2018-00208.

IT IS THEREFORE ORDERED that:

1. Case No. 2018-00043 is consolidated into Case No. 2018-00208, and all issues raised in Case No. 2018-00043 shall be adjudicated in Case No. 2018-00208.
2. The record of Case No. 2018-00043 is incorporated by reference into Case No. 2018-00208.

⁷ Attorney General's Statement Concerning Hearing filed May 7, 2018.

3. Case No. 2018-00043 is closed and removed from the Commission's docket.

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By the Commission



ATTEST:


Executive Director

Case No. 2018-00043
Case No. 2018-00208

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